

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5988-02
Bill No.: Perfected HCS for HB 2402
Subject: Health and Senior Services Department; Hospitals
Type: Original
Date: March 16, 2016

Bill Summary: This proposal requires the Department of Health and Senior Services to promulgate regulations for the construction and renovation of hospitals which include certain standards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or Less than \$100,000	\$0 or Less than \$100,000	\$0 or Less than \$100,000
Total Estimated Net Effect on General Revenue	\$0 or Less than \$100,000	\$0 or Less than \$100,000	\$0 or Less than \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
University	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

\$197.065 - Hospital construction and renovation

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** and **Division of Legal Services** state MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Any requirements resulting from these Department of Health and Senior Services (DHSS) regulations would be effective for hospitals beginning August 28, 2016 and any changes in hospital expenditures would begin to be reflected in 2016 or 2017 cost reports. MO HealthNet would use 2016 and 2017 cost reports to establish reimbursement for State Fiscal Year (SFY) 20 and SFY 21 respectively. Therefore, there would not be a fiscal impact to the MHD for SFY 17, SFY 18, or SFY 19, but starting in SFY 20 there could be a fiscal impact to Medicaid due to the requirements set forth by DHSS.

Oversight notes since it is unknown what DHSS' requirements could be, it is unknown whether there would be Medicaid costs beginning in SFY 20. Since these costs are speculative at this time, Oversight is not presenting these costs in the fiscal note.

In response to the previous version of this proposal, officials from the **University of Missouri Health Care** stated they have reviewed the proposed legislation and determined that as written, it should not create additional expenses in excess of \$100,000 annually.

Oversight assumes this is the materiality threshold for the UM Health Care and that any costs incurred by UM can be absorbed within current resource levels.

In response to the previous version of this proposal, officials from the **Joint Committee on Administrative Rules (JCAR)** stated the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

In response to the previous version of this proposal, officials from the **Cass Regional Medical Center** assumed the proposal would not fiscally impact their agency.

In response to the previous version of this proposal, officials from the from the **Hermann Area District Hospital** stated they feel the proposal may have some savings because there will no longer be a duplication of codes so compliance would be simpler.

Oversight notes the Hermann Area District Hospital's response did not indicate whether the savings would be significant and, therefore, assumes the statement "some savings" indicates a minimal fiscal impact.

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

House Amendment #1

§197.305 - Certificate of Need requirements for certain state-operated facilities

In response to similar legislation (HCS HB 2441), officials from the **University of Missouri Health Care** stated they had reviewed the proposed legislation and determined that, as written, it will create additional expenses in excess of \$100,000 annually.

Oversight notes the provisions at section 197.315.10 provides that the Certificate-of-Need (CON) "application fee is one thousand dollars, or one-tenth of one percent of the total cost of the proposed project...". In addition, based on available information, it appears the provisions of this proposal would only apply to the University of Missouri Health Care and the Women's and Children's Hospital. For fiscal note purposes only, Oversight is presenting the University of Missouri Health Care and Women's and Children's Hospital costs under "University Funds". This is not intended to indicate that the Health Care System's costs are actual costs to the University.

Oversight assumes the University Health Care System would not plan to purchase additional equipment or build new hospitals on an annual basis in an amount exceeding \$100,000,000 to incur costs greater than \$100,000 annually in Certificate of Need fees (\$100,000,000 project costs X 0.001 = \$100,000). Therefore, Oversight will present the University Health Care System's proposed costs as \$0 or less than \$100,000 annually.

ASSUMPTION (continued)

In response to similar legislation (HCS HB 2441), officials from the **Department of Social Services, MO HealthNet Division** and **Division of Legal Services** assumed the proposal would not fiscally impact their agency.

Oversight notes that at the July 2015 Missouri Health Facilities Review Committee meeting, the committee defeated a Certificate of Need application from Fulton Medical Center (in partnership with the University of Missouri) for a 10 bed hospital in southern Columbia. The projected cost of the project was \$36,157,928; therefore, Oversight assumes the applicant paid an application fee (into the General Revenue Fund) of \$36,157. Oversight will assume the fiscal impact of this change will be \$0 or less than \$100,000 per year.

Bill as a Whole

Officials from the **Department of Health and Senior Services** and **Department of Mental Health** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
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GENERAL REVENUE FUND

Income - DHSS

Certificate-of-Need application fees	<u>\$0 or Less than</u> <u>\$100,000</u>	<u>\$0 or Less than</u> <u>\$100,000</u>	<u>\$0 or Less than</u> <u>\$100,000</u>
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**ESTIMATED NET EFFECT ON THE
GENERAL REVENUE FUND**

<u>\$0 or Less than</u> <u>\$100,000</u>	<u>\$0 or Less than</u> <u>\$100,000</u>	<u>\$0 or Less than</u> <u>\$100,000</u>
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UNIVERSITY FUNDS

Costs - State-Operated Hospitals
 (§197.315)

Certificate-of-Need application fees	<u>\$0 or (Less than</u> <u>\$100,000)</u>	<u>\$0 or (Less than</u> <u>\$100,000)</u>	<u>\$0 or (Less than</u> <u>\$100,000)</u>
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**ESTIMATED NET EFFECT ON
UNIVERSITY FUNDS**

<u>\$0 or (Less</u> <u>than \$100,000)</u>	<u>\$0 or (Less</u> <u>than \$100,000)</u>	<u>\$0 or (Less</u> <u>than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

House Amendment #1

§197.305 - Certificate of Need requirements for certain state-operated facilities

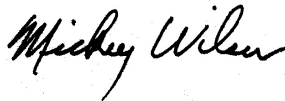
Currently, facilities operated by the state are not required to obtain a certificate of need, appropriation of funds to such facilities by the General Assembly are deemed in compliance with certificate of need provisions, and such facilities are deemed to have received an appropriate certificate of need without payment of any fee or charge. This bill requires hospitals operated by the state and licensed under Chapter 197 to obtain a certificate of need and comply with the other provisions of certificate of need except for Department of Mental Health state-operated psychiatric hospitals.

This proposal contains and emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services
Department of Mental Health
Department of Social Services
Joint Committee on Administrative Rules
Office of Secretary of State
University of Missouri
Cass Regional Medical Center
Hermann Area District Hospital



Mickey Wilson, CPA
Director
March 16, 2016

Ross Strobe
Assistant Director
March 16, 2016